

## **K. STEPHEN HAGGARD**

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### **EDUCATION**

Ph.D. Business Administration – Finance concentration, University of Missouri, 2006.

M.B.A. Business Administration, Kent State University, 2001.

B.S. Mechanical Engineering, University of Arkansas, 1994.

Passed Level I of the CFA Program in the year 2010.

### **ACADEMIC EMPLOYMENT**

Assistant Professor, 2007 to present, Missouri State University.

Assistant Professor, 2006 to 2007, University of Southern Mississippi.

Graduate Instructor, 2003 to 2006, University of Missouri.

Research Assistant, 2002 to 2005, University of Missouri.

### **PUBLISHED PAPERS**

**“Culture’s Impact on Freedom and Peace: Empirical Evidence,”** with Dana L. Haggard.

This study provides insight into the proportion of the variation across countries in the desirable outcomes of freedom and peace that can be accounted for using a set of national characteristics which are difficult, if not impossible, to change. The majority of prior studies in this area have utilized bivariate (correlational) analysis. While these studies have made important contributions to the field, they have not been able to disentangle the effects of other important national characteristics from the effect of culture on freedom and peace. Through our multivariate framework, we are able to shed light on the relative importance of these national characteristics in explaining the variation in freedom and peace across countries. Forthcoming at the *International Journal of Organization Theory and Behavior*.

**“The Halloween Effect: Trick or Treat?”** with H. Douglas Witte.

Research documents higher stock returns in November through April than for the rest of the year. This anomaly is known as the “Halloween effect” and results in the following trading rule: Sell stocks in early May, invest in T-bills, and re-invest in stocks on Halloween. In contrast to recent studies, we show that the Halloween effect is robust to consideration of outliers and the “January effect.” Additionally, we show that investing in a “Halloween portfolio” provides risk-adjusted returns in excess of buy and hold equity returns even after consideration of transaction costs. *International Review of Financial Analysis*, Vol. 19, No. 5, pp. 379-387, December 2010.

## **PUBLISHED PAPERS (CONTINUED)**

**“Governance, Law, Religion and Culture,”** with Dana L. Haggard.

We propose a model in which culture plays a dominant role, along with religion and legal origin, in determining the quality of governance in a country. We examine four dimensions of culture and four measurements of governance quality across 71 countries. Our empirical results demonstrate the dominant role played by culture, over and above religion and legal origin, in explaining governance quality. As culture is persistent and unlikely to be easily changed, efforts to improve governance quality might be doomed to failure in nations with cultural values that are hostile to good governance. *International Journal of Organization Theory and Behavior*, Vol. 13, No. 4, pp. 569-596, December 2010.

**“Traditional Sources of Capital Dried Up? A Guide to Private Investment in Public Equity (PIPE) for New Issuers,”** with Ying Jenny Zhang.

Recent economic conditions have created difficulties in raising capital for smaller, riskier firms. In this paper, we provide a guide to an alternative source of capital, private investment in public equity (PIPE). We give an overview of the size and growth of the PIPE market, identify the industries where PIPE is most popular, and provide information on the cost of such issuances by industry and deal type. The goal of this paper is to provide information regarding PIPE to financial consultants and corporate treasurers interested in alternative sources of capital funding. *Journal of Financial and Economic Practice*, Vol. 10, No. 2, pp. 12-27, Fall 2010.

**“Foreign Issuers in the U.S. PIPE Market,”** with Ying Jenny Zhang.

We document that the use of private investment in public equity (PIPE) by foreign firms listed on U.S. exchanges is growing even faster than its use by U.S. firms. On average, foreign firm PIPE stock deals represent a similar proportion of the firm’s market capitalization to U.S. firm PIPEs, but suffer less of a share price discount than U.S. firm PIPE issuances, a relation that is robust to consideration of exchange, deal size, share turnover and return volatility. We document that hedge funds are only small investors in foreign firm PIPEs issued in the U.S., which tend to be purchased by pensions, government funds and corporations. PIPE, in combination with the reverse merger method of going public, provides a cost-effective means for foreign firms to raise capital in the U.S. capital market. *Journal of Multinational Financial Management*, Vol. 20, No. 2-3, pp. 144-157, July 2010.

**“A Study of the Moderating Effects of Firm Age at Internationalization on Firm Survival and Short-term Growth,”** with Jon C. Carr, Keith M. Hmieleski, and Shaker A. Zahra.

Using a longitudinal sample, we test firms’ survival and growth outcomes associated with the decision to internationalize. We find that young firms experience lower survival rates subsequent to foreign market entry, but enjoy significantly higher short-term growth conditional upon survival. Overall, the findings suggest that the timing of internationalization should be based on firms’ strategic orientation toward maintaining survival versus achieving growth. *Strategic Entrepreneurship Journal*, Vol. 4, No. 2, pp. 183-192, June 2010.

**“PIPEs Around the World,”** with Ying Jenny Zhang and Tao Ma.

Public investment in private equity (PIPE) is a financing form growing in popularity in the U.S., recently surpassing seasoned equity offerings in number and value. Research to date is highly focused on the U.S., with little attention paid to international markets. We use newly available data to examine PIPE deals in Hong Kong, Australia, Canada and the U.K. We document similarities and differences relative to the U.S. market. PIPE firms tend to be small, high-growth firms with poor accounting and stock performance prior to PIPE issuance. However, these stylized facts do not hold uniformly across the exchanges we study. We also document a lack of significant market reaction to the announcement of PIPE deals on these exchanges. *Journal of Private Equity*, Vol. 12, No. 4, pp. 57-68, Fall 2009.

**“Using Interaction to Teach the Basics of Financial Intermediation.”**

This paper presents a game that uses student interaction to breathe life into the “dry” and “boring” definitions of surplus spending units (SSUs) and deficit spending units (DSUs), as well as the basic concepts of financial intermediation including denomination divisibility, maturity flexibility, liquidity, and credit risk diversification. This material is usually presented in a lecture format, which is less than ideal for students with short attention spans. Use of this game increases comprehension and improves retention of these concepts better than a pure lecture presentation. *Journal of Applied Research in Business Instruction*, Vol. 7, No. 3, pp. 1-6, 2009.

## **PUBLISHED PAPERS (CONTINUED)**

### **“Another Look at the Robustness of Stock Market Calendar and Weather Anomalies to Announcements of Macroeconomic News,”** with H. Douglas Witte.

Given the impact of macroeconomic news announcements on daily stock returns, Gerlach (2007) performs a univariate analysis of calendar and weather anomalies on days with no such announcements. He finds little evidence for anomalous returns in this subset of the data. He concludes that calendar and weather anomalies are generated by an ex-post sorting of returns into subsets with disproportionate numbers of extreme announcement day returns. We find little evidence to support this contention. Our multivariate analysis of the full dataset (both announcement and non-announcement days) indicates five of six tested return anomalies remain significant after controlling for macroeconomic announcements. *Review of Business Research*, Vol. 9, No. 1, pp. 178-187, January 2009.

### **“Does Voluntary Disclosure Improve Stock Price Informativeness?”** with Xiumin Martin and Raynolde Pereira.

We find that a higher level of disclosure contributes to lower stock price synchronicity, an inverse measure of stock price informativeness. We also show that higher disclosing firms are less prone to experience stock price crashes. Both findings are consistent with disclosure effectively reducing firm opacity. *Financial Management*, Vol. 37, No. 4, pp. 747-768, Winter 2008.

### **“Executive Compensation: Does Industry Risk Matter?”** with Dana L. Haggard.

We use stock return data and executive compensation data to examine the risks and rewards of corporate executives with the goal of understanding which risks are rewarded. We show that CEOs are rewarded differently for bearing industry risk than for bearing market risk, in addition to being compensated for bearing firm-specific risks. Our results are consistent with CEOs being compensated through different means (salaries, bonuses and options) for bearing these different risks. *International Journal of Organizational Theory and Behavior*, Vol. 11, No. 4, pp. 451-470, Winter 2008.

### **“Bank Dividends: Increasing, Decreasing, and Unresponsive,”** with John S. Howe.

We document three recent trends in dividend payments by banks. We find a doubling of bank dividends as a proportion of all dividends paid, a decreasing propensity for banks to pay dividends, and an increase in aggregate bank dividends. We also search for a relation between fluctuations in banks' propensity to pay dividends and catering incentives provided by the market, but find no such relation. We show that the market provides incentives for banks to pay dividends. *Journal of Applied Financial Research*, Vol. 2, pp. 1-31, Fall 2008.

### **“Price Momentum and Idiosyncratic Volatility,”** with Matteo Arena and Xuemin (Sterling) Yan.

We show that stocks with higher idiosyncratic volatility display greater price momentum. Stocks with higher idiosyncratic volatility also experience quicker and larger reversals. These findings are consistent with the view that momentum profits are attributable to underreaction to firm-specific information. Our findings are also consistent with the hypothesis that idiosyncratic volatility is an important factor in limiting the successful arbitrage of the momentum effect. Further, we find a positive time-series relation between momentum returns and aggregate idiosyncratic volatility. Given the long-term rise in idiosyncratic volatility, this result helps explain why momentum profits not only persist but also increase after the sample period examined by Jegadeesh and Titman (1993). *The Financial Review*, Vol. 43, No. 2, pp. 159-190, May 2008.

### **“Subperiod Robustness Checks: Testing for Effect Mean Stationarity,”** with H. Douglas Witte.

The purpose of this paper is to suggest a superior method for assessing mean stationarity of asset pricing effects. We suggest the use of an  $F$ -test to examine mean stationarity of asset pricing effects across subperiods. We demonstrate the superiority of this test through examination of the Halloween Effect using simulated data and the Morgan Stanley Capital International (MSCI) data for 18 developed economies. We find that the suggested  $F$ -test provides results superior to a simple examination of the magnitude and statistical significance of estimated regression coefficients across subperiods when attempting to determine mean stationarity. This paper sheds light on an analytical oversight in the asset pricing anomalies literature and suggests an appropriate test to address this oversight. Accepted at *Managerial Finance*.

## PAPERS UNDER REVIEW

**“Asset Write-downs and Information Asymmetry: Do Big Baths Muddy the Waters or Clear the Air?”** with John S. Howe and Andrew A. Lynch.

We examine the intertemporal relation between large asset write-downs (big baths) and information asymmetry. Theory suggests that baths facilitate future earnings smoothing (Kirschenheiter and Melumad (2002)), but does not predict whether this smoothing improves or degrades earnings quality. We use baths as a natural experiment to test changes in earnings quality, measuring changes in firm information asymmetry to determine whether a bath improves or degrades earnings quality. Analyzing 12 generally accepted proxies of information asymmetry, we find strong evidence that a firm’s information environment degrades substantially following baths. The increase in information asymmetry is strongest in the year following a bath and weakens over the two following years. We conclude that baths facilitate future earnings smoothing, and that the increase in smoothing degrades earnings quality. Under review at the *Journal of Accounting Research*.

**“Are Hedge Funds Guilty of Manipulative Short-selling? Evidence from the PIPE Market,”** with Grace (Qing) Hao and Ying Jenny Zhang.

Hedge funds are often suspected of manipulative short-selling. We investigate short-selling around PIPE issuances using the Regulation SHO data. Significantly less pre-deal short-selling occurs when hedge funds are included in the PIPE investor group, and adjusted returns for firms with hedge funds as investors are positive in the pre-deal period and negative in the post-deal period. Both of these findings are opposite of the patterns expected given manipulative short-selling by hedge funds. We also find that pre-deal and post-deal adjusted returns and PIPE discount are unrelated to pre-deal short-selling by hedge funds, findings inconsistent with manipulative short-selling by these investors. Our evidence suggests that most hedge funds that invest in PIPEs do not engage in manipulative short-selling around these deals. Under review at *Managerial Finance*.

## PRESENTED PAPERS

**“Insurer Opacity and Ownership Structure,”** with Stan Adamson and David Eckles.

- Presented at the Southern Risk and Insurance Association Annual Meeting, November 2011.

**“Asset Write-downs and Information Asymmetry: Do Big Baths Muddy the Waters or Clear the Air?”** with John S. Howe and Andrew A. Lynch.

- Presented at the Financial Management Association Annual Meeting, October 2011.

**“Are Hedge Funds Guilty of Manipulative Short-selling? Evidence from the PIPE Market,”** with Grace (Qing) Hao and Ying Jenny Zhang.

- Academy of Entrepreneurial Finance Annual Meeting, September 2011.

**“Foreign Issuers in the U.S. PIPE Market,”** with Ying Jenny Zhang.

- Financial Management Association Annual Meeting, October 2010.
- Midwest Finance Association Annual Meeting, February 2010.

**“The Halloween Effect: Trick or Treat?”** with H. Douglas Witte.

- University of Missouri, April 2010.
- University of Arkansas, April 2010.

**“Examining Corporate Dividend Policy using an Artificial Intelligence Technique,”** with Kee Kim.

- Southwestern Finance Association Annual Meeting, March 2010.

**“Do Fragile Liabilities Matter?”**

- Financial Management Association Annual Meeting, October 2009.

**“Value Creation through Executive Diversity,”** with Dana L. Haggard.

- Academy of Management Annual Meeting, August 2009.

## **PRESENTED PAPERS (CONTINUED)**

**“Another Look at the Robustness of Stock Market Calendar and Weather Anomalies to Announcements of Macroeconomic News,”** with H. Douglas Witte.

- Financial Management Association Annual Meeting, October 2008.

**“Young Firm Survival and Growth after Early Internationalization,”** with Jon Carr.

- Babson College Entrepreneurship Research Conference, June 2008.

**“Are Banks Opaque?”** with John S. Howe.

- Financial Management Association Annual Meeting, October 2007.

**“The Impact of Voluntary Disclosure on Stock Price Informativeness,”** with Xiumin Martin and Raynolde Pereira.

- University of Southern Mississippi, September 2006.
- Financial Management Association Annual Meeting, October 2006.

**“Information Quality and Split Bond Ratings,”** with Ravi Jain, Xiumin Martin, and Raynolde Pereira.

- American Accounting Association Annual Meeting, August 2006.
- Financial Management Association Annual Meeting, October 2006.

**“Bank Dividends: Increasing, Decreasing, and Unresponsive,”** with John S. Howe.

- University of Missouri – Columbia, August 2004.
- Financial Management Association Annual Meeting, October 2005.

**“Price Momentum and Idiosyncratic Volatility,”** with Matteo Arena and Sterling Yan.

- University of Missouri – Columbia, September 2004.
- Financial Management Association European Meeting, June 2005.
- Financial Management Association Annual Meeting, October 2005.

**“Price Pressure and the Response to Share Repurchase Announcements,”** with Raynolde Pereira.

- University of Missouri – Columbia, February 2005.
- Financial Management Association Annual Meeting, October 2005.

## **TEACHING EXPERIENCE**

**Advanced Financial Management** (M.B.A., five sections), Spring 2011.

Teaching Evaluation: 4.6/5.0

**Advanced Financial Management** (M.B.A., three sections), Fall 2010.

Teaching Evaluation: 4.5/5.0

**Advanced Financial Management** (M.B.A., two sections), Summer 2010.

Teaching Evaluation: N/A

**Advanced Financial Management** (M.B.A., three sections), Spring 2010.

Teaching Evaluation: 4.8/5.0

**Advanced Financial Management** (M.B.A., three sections), Fall 2009.

Teaching Evaluation: 4.8/5.0

**Financial Markets and Intermediaries** (undergraduate, two sections), Spring 2009.

Teaching Evaluation: 4.4/5.0

**TEACHING EXPERIENCE (CONTINUED)**

**Financial Management** (undergraduate, one section), Spring 2009.  
Teaching Evaluation: 4.4/5.0

**Financial Markets and Intermediaries** (undergraduate, two sections), Fall 2008.  
Teaching Evaluation: 4.7/5.0

**Financial Management** (undergraduate, one section), Spring 2008.  
Teaching Evaluation: 4.4/5.0

**Financial Markets and Intermediaries** (undergraduate, two sections), Spring 2008.  
Teaching Evaluation: 4.5/5.0

**Financial Markets and Intermediaries** (undergraduate, two sections), Fall 2007.  
Teaching Evaluation: 4.2/5.0

**Principles of Finance** (undergraduate, two sections), Spring 2007.  
Teaching Evaluation: 4.6/5.0

**Principles of Finance** (undergraduate, two sections), Fall 2006.  
Teaching Evaluation: 4.5/5.0

**Financial Management** (undergraduate), Summer 2006.  
Teaching Evaluation: 4.7/5.0

**Financial Management** (undergraduate), Spring 2006.  
Teaching Evaluation: 4.1/5.0

**Management of Financial Institutions** (M.B.A.), Fall 2005.  
Teaching Evaluation: 4.8/5.0

**Management of Financial Institutions** (undergraduate), Spring 2004.  
Teaching Evaluation: 4.5/5.0

**Management of Financial Institutions** (undergraduate), Fall 2003.  
Teaching Evaluation: 4.6/5.0

## **PROFESSIONAL SERVICE**

*Ad Hoc Reviewer, Financial Review, 2011.*

*Ad Hoc Reviewer, International Review of Economics and Finance, 2011.*

*Ad Hoc Reviewer, Journal of Multinational Financial Management, 2010.*

*Co-chair, Financial Institutions Track, Midwest Finance Association Annual Meeting, 2010.*

*Referee, Midwest Finance Association Annual Meeting, 2010.*

*Member, Program Committee, Southwestern Finance Association Annual Meeting, 2010.*

*Referee, Southwestern Finance Association Annual Meeting, 2010.*

*Ad Hoc Reviewer, Financial Review, 2009.*

*Ad Hoc Reviewer, Financial Management, 2009.*

*Ad Hoc Reviewer, Journal of Economics and Finance, 2009.*

*Ad Hoc Reviewer, Journal of Multinational Financial Management, 2008.*

*Ad Hoc Reviewer, Journal of Economics and Finance, 2007.*

*Referee, Southern Finance Association Annual Meeting, 2007.*

*Referee, International Finance, Midwest Finance Association Annual Meeting, 2005.*

*Discussant, "Credit, Cronyism, and Control: Evidence from the Americas," by Michael Pagano, Financial Management Association Annual Meeting, 2004.*

## **COLLEGE SERVICE**

*Member, College of Business Administration Faculty Executive Committee, 2011-present.*

*Member, Senate Rules Committee, Missouri State University, 2010-present.*

*Member, Academic Integrity Council, Missouri State University, 2010-present.*

*Member, College of Business Administration Scholarship Committee, Missouri State University, 2010-2011.*

*Member, College of Business Administration Strategic Planning Committee, Missouri State University, 2009-2011.*

*Member, MBA Curriculum & Policy Committee, Missouri State University, 2009-2011.*

*Faculty Co-Advisor, Financial Management Association student chapter, Missouri State University, 2008-2010.*

*Vice President, Beta Gamma Sigma, Missouri State University, 2008-present.*

*Associate Editor, Finance and General Business Publications Committee, Missouri State University, 2007-present.*

*Member, Teaching and Assessment Committee, University of Southern Mississippi, 2006-2007.*

## **RESEARCH GRANTS**

Summer Research Grant, Missouri State University, 2009.

Summer Research Grant, Missouri State University, 2008.

Summer Research Grant, University of Southern Mississippi, 2007.

College of Business Summer Research Fellowship, "Have Bank Loans Lost Their Uniqueness?" Summer 2004.

## **RESEARCH AWARDS**

Outstanding Paper Award, Empirical Category, College of Business Administration, Missouri State University, 2007-2008.

Outstanding Research Assistant, Department of Finance, College of Business, University of Missouri, 2005.

## **OTHER RECOGNITION**

Chosen as Undergraduate Honors Mentor, 2004.

## **HONOR SOCIETIES**

Beta Gamma Sigma

Tau Beta Pi (Engineering)

## **AFFILIATIONS**

Financial Management Association

## **OTHER PROFESSIONAL EXPERIENCE**

Ten years in various engineering, management and sales roles in nuclear power, oilfield manufacturing, heavy transportation manufacturing and plastics.

## **REFERENCES**

### **John S. Howe**

*Professor and Missouri Bankers  
Chair*  
447 Cornell Hall  
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### **Stephen P. Ferris**

*Professor and Director,  
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